GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1545
ANSWERED ON:09.03.2007
RELIEF TO FARMERS AFFECTED BY NATURAL CALAMITIES
Budholiya Shri Rajnarayan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has directed banks to review the credit policy to provide relief to the farmers affected from natural calamities;

(b) if so, the details thereof;

(c) whether the banks have reviewed the credit policy;

(d) if so, the details thereof; and

(e) the time by which the said policy is likely to be implemented?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (e) : The Banks extend necessary relief measure to the farmers, from time to time whose repayment capacity is impaired due to natural calamities and there are standing instructions to banks in this regard. Farmers affected by calamity may be given the facility of postponing/rescheduling the current demand by extending the period of loan. In cases where there is a total/partial loss of assets, banks may give fresh loans for rehabilitation/ replacement of the asset. The banks are guided by the State Government notification declaring the areas affected by the natural calamity while granting postponement of loans and reschedulement of term loans.
Over and above this, the Government announced a Farm Credit Package on 18.06.2004. The package, inter-alia, includes the debt restructuring measures to `Farmers in distress`. This provides reschedulement/ restructuring of debts of the farmers, who have suffered production and income loss on account of successive droughts, floods and other calamities in the districts declared as calamity - affected by the State Governments. The interest outstanding is clubbed with principal outstanding as on 31 March 2004, and the amount thus arrived at is to be repaid over a period of 5 years at current interest rates, including a moratorium of 2 years.
Further, in 31 debt stressed districts in the four states of Maharashtra(06), Andhra Pradesh (16), Karnataka(06) and Kerala(03) the relief package announced for farmers provides that the entire interest on overdue loans as on 01.07.2006 will be waived and these overdue loans will be rescheduled over a period of 3-5 years with a one year moratorium. Reserve Bank of India and NABARD have issued guidelines on the above lines to the Banks.